

# **Tobin & Co.**

Kalkaska Township

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>KALKASKA TOWNSHIP</b>	County <b>KALKASKA</b>
Audit Date <b>MARCH 31, 2005</b>	Opinion Date <b>SEPTEMBER 7, 2005</b>	Date Accountant Report Submitted to State: <b>SEPTEMBER 30, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	X		
Reports on individual federal financial assistance programs (s).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) <b>TOBIN &amp; CO., P.C.</b>			
Street Address <b>400 E 8TH STREET</b>	City <b>TRAVERSE CITY</b>	State <b>MI</b>	ZIP <b>49686</b>
Accountant Signature <i>David L. Baul</i>		Date <b>9-30-05</b>	

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INTRODUCTORY SECTION

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## Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Kalkaska Township, Kalkaska County, for the year ended March 31, 2005 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Kalkaska Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

Records were maintained in excellent condition by your present Clerk and Treasurer. Recorded revenues were deposited intact, journals and ledgers were properly posted, Board minutes were maintained in good order, and supporting documents and follow-up procedures appeared adequate. The efforts of these officials for 2004-2005 are commendable.

### Budgets and Procedures

The General Fund expenditure budget was \$484,124 higher than actual expenditures. This matter should receive special attention in future budget preparation, since the budget is intended to be the best estimate by Township officials of actual revenues and expenditures in the forthcoming fiscal year. See Note 2 of the Notes to the Financial Statements. In addition, the Township Board approved a fiscal year deficit budget (\$619,800) which exceeded beginning of the fiscal year fund balance by \$64,691. While no actual fund deficit occurred, such a deficit budget should be avoided.

### General Fund

The General Fund is presented on Schedule 1 of this report. Revenues totaled \$483,390 and expenditures totaled \$442,075. In addition the General Fund transferred \$75,000 to the Improvement Revolving Fund. The fund balance at March 31, 2005 was \$521,423. As noted earlier, expenditures were materially lower than budgeted.

### Improvement Revolving Fund

This fund is permitted by statute and is used to set aside monies for Township improvements. No more than the equivalent of 2 mills of the taxable value may be placed in the fund in one year, and the total may not exceed 5 mills of the current valuation. The statute also permits the Township Board to return portions to the General Fund at any time. The fund is classified as a Special Revenue Fund for which a budget is required.

For the audit year, this fund had earned interest of \$3,426 and a \$75,000 transfer from the General Fund. There was a balance of \$380,819 in this fund at March 31, 2005. See Schedule 2.

### Cemetery Perpetual Care Fund

This fund is used to account for deposits for the perpetual care of cemetery lots and for interest earned from such deposits. During the audit year deposits of \$8,358 remained in the fund which reflected a fund balance of \$88,354 at March 31, 2005. Of the fund balance, \$65,738 was non-expendable.

### Property Tax Administration Fees

A 1% property tax administration fee, permitted by statute, was levied on all 2004 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. As reflected on Schedule 5, costs for the audit year exceeded fees collected by \$29,914, so the Township was in compliance with statutory requirements. As of March 31, 2005, there are accumulated excess expenditures of \$224,999.

### Property Tax Collections

The collection and distribution of the 2004 tax levy was handled in an excellent manner by the Township Treasurer. Deposits were made every few days and were intact. Payments to taxing units during the collection period were in accordance with statutory requirements.

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## Comments and Recommendations

### Insurance and Surety Bond Coverage

Our examination disclosed that the Township has such insurance coverage as fire and lightening, liability, errors and omissions, equipment, crime and workmen's compensation. Board minutes indicate that coverage was reviewed during the audit year. The Clerk, Treasurer, their deputies, and the Supervisor are covered by surety bonds. There is also a blanket bond covering all employees.

### Other Data

We are pleased to note the use of interest bearing bank accounts and investments which resulted in earned interest of over \$11,756 for the audit year. This is excellent, and we commend efforts of the Treasurer and Board members in this important area of financial management.

Payroll records reflect that proper procedures are being followed in payroll withholdings, remittances, federal and State reports, etc.

After completion of our audit, we will transmit two (2) copies of this report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the excellent condition of the Township records. We further appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Kalkaska Township  
Kalkaska County  
Kalkaska, Michigan 49646

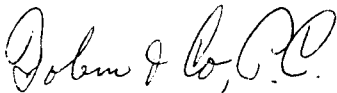
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kalkaska Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Kalkaska Township at March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Kalkaska Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
September 7, 2005



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## KALKASKA TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Kalkaska Township, Kalkaska County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Kalkaska Township for the fiscal year ended March 31, 2005.

### Financial Highlights

The assets of Kalkaska Township exceeded its liabilities at the close of the most recent fiscal year by \$1,436,473. Of this amount, \$521,423 may be used to meet the Township's General Fund ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$990,596, an increase of \$53,098 in comparison with the prior year. The total amount, \$990,596 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$521,423, or 118% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Kalkaska Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township Improvements. Kalkaska Township does not have any business-type activities.

#### 2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kalkaska Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Kalkaska Township are categorized as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Kalkaska Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Improvement Revolving Fund, which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial resources because the resources of those funds are not available to support the Township's own programs.

The basic Fiduciary fund financial statements can be found on page 14 of this report.

### 3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### General Fund Analysis and Highlights

Our expenses increased significantly for our cemetery, as we had linesbreak and had metered water running for several days in July and August. We have to replace lines frequently and expect this to be an ongoing expense for the next few years.

#### Condensed Financial Information

Refer to pages 10 to 13 of the audited financial statements.

#### Capital Asset and Debt Administration

##### Capital Assets

The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$424,463. This investment in capital assets includes: land, township hall, parks facilities, cemetery buildings and equipment, fire and rescue trucks and equipment, and office equipment and computers. This is the first year that the total Township's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful lives.

##### Cash Assets

At the end of the current fiscal year, the Township had \$986,027 in cash and other spendable assets. The Township is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

##### Long-term Debt

At the end of the current fiscal year, the Township had no debt outstanding.

##### Pension Plan

The Township makes contributions equal to approximately 11.5% of each employee's wage to Municipal Retirement Systems, Inc. on behalf of each participating employee. This is an expensed item in the budget and totaled \$9,009 for the fiscal year.

##### Currently Known Facts, Decisions, or Conditions

We started having a Township Clean Up in 2004. The expense was \$17,875. 2005 will be approximately \$22,000. We also planned to do two miles of blacktop with another Township; that didn't happen. Possible for 2006. Cost to be \$66,000.

##### Requests for Information

This financial report is designed to provide a general overview of Kalkaska Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Connie Winter, Clerk, Kalkaska Township, P.O. Box 855, Kalkaska, MI 49646.

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## Kalkaska Township Statement of Net Assets March 31, 2005

	<u>Primary Government Governmental Activities And Total</u>
Assets	
Cash	\$ 986,027
Receivables	27,558
Capital Assets	
Land	8,000
Other Capital Assets, Net of Depreciation	<u>416,463</u>
Total Capital Assets	<u>424,463</u>
Total Assets	<u>1,438,048</u>
Liabilities	
Accounts Payable	<u>1,575</u>
Total Liabilities	<u>1,575</u>
Net Assets	
Invested in Capital Assets	424,463
Restricted for:	
Cemetery Perpetual Care	65,738
Unrestricted	<u>946,272</u>
Total Net Assets	<u>\$ 1,436,473</u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Statement of Activities For the Year Ended March 31, 2005

Functions/Programs	Program Revenues			Total
	Expenses	Charges For Services	Operating Grants and Contributions	
Governmental Activities:				
Legislative	\$ 25,407	\$ -	\$ -	\$ (25,407)
General Government	221,593	36,551	7,275	(177,767)
Public Safety	131,383	17,907	16,651	(96,825)
Public Works	25,470	9,533	11,262	(4,675)
Health and Welfare	<u>1,338</u>	<u>-</u>	<u>-</u>	<u>(1,338)</u>
Total Governmental Activities	<u>\$ 405,191</u>	<u>\$ 63,991</u>	<u>\$ 35,188</u>	<u>(306,012)</u>
General Revenues:				
Taxes				225,832
State Grants				172,166
Unrestricted Investment Earnings				11,756
Miscellaneous				<u>7,655</u>
Total General Revenues				417,409
Change in Net Assets				111,397
Net Assets - Beginning				<u>1,325,076</u>
Net Assets - Ending				<u>\$ 1,436,473</u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Balance Sheet Governmental Funds March 31, 2005

	<u>General</u>	<u>Township Improvement</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>				
Cash in Bank	\$ 516,854	\$ 380,819	\$ 88,354	\$ 986,027
Delinquent Taxes Receivable	21,414	-	-	21,414
Due from other Funds	144	-	-	144
Due from other Units	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
<b>Total Assets</b>	<u>\$ 544,412</u>	<u>\$ 380,819</u>	<u>\$ 88,354</u>	<u>\$ 1,013,585</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 1,575	\$ -	\$ -	\$ 1,575
Deferred Revenue	<u>21,414</u>	<u>-</u>	<u>-</u>	<u>21,414</u>
<b>Total Liabilities</b>	<u>22,989</u>	<u>-</u>	<u>-</u>	<u>22,989</u>
<b>Fund Balances:</b>				
Reserved	-	-	65,738	65,738
Unreserved	521,423	380,819	-	902,242
Unreserved Reported in Nonmajor: Permanent Fund	<u>-</u>	<u>-</u>	<u>22,616</u>	<u>22,616</u>
<b>Total Fund Balances</b>	<u>521,423</u>	<u>380,819</u>	<u>88,354</u>	<u>990,596</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 544,412</u>	<u>\$ 380,819</u>	<u>\$ 88,354</u>	
Amounts reported for governmental activities on the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				424,463
Delinquent property taxes received after 60 days are recognized as revenues and not deferred for the statement of net assets.				<u>21,414</u>
<b>Net assets of governmental activities.</b>				<u>\$ 1,436,473</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Kalkaska Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2005

	General	Township Improvement	Other	Total
<u>Revenues</u>				
Taxes	\$ 213,951	\$ -	\$ -	\$ 213,951
Federal Grants	3,090	-	-	3,090
State Grants	183,428	-	-	183,428
Charges for Services	54,458	-	7,275	61,733
Interest and Rents	11,707	3,426	1,083	16,216
Other	16,756	-	-	16,756
Total	<u>483,390</u>	<u>3,426</u>	<u>8,358</u>	<u>495,174</u>
<u>Expenditures</u>				
Legislative	24,190	-	-	24,190
General Government	160,299	-	-	160,299
Public Safety	101,318	-	-	101,318
Public Works	25,470	-	-	25,470
Health and Welfare	1,338	-	-	1,338
Other	54,390	-	-	54,390
Capital Outlay	75,071	-	-	75,071
Total	<u>442,076</u>	<u>-</u>	<u>-</u>	<u>442,076</u>
Excess Revenues (Expenditures)	41,314	3,426	8,358	53,098
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	75,000	-	75,000
Operating Transfers (Out)	(75,000)	-	-	(75,000)
Total	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(33,686)	78,426	8,358	53,098
Fund Balance – Beginning of Year	<u>555,109</u>	<u>302,393</u>	<u>79,996</u>	
Fund Balance – End of Year	<u>\$ 521,423</u>	<u>\$ 380,819</u>	<u>\$ 88,354</u>	
Governmental funds defer property tax revenues received more than 60 days after the year end as unavailable financial resources for the fund financial statements. In the statement of activities these are not deferred.				21,414
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.				<u>36,885</u>
Change in Net Assets of Governmental Activities.				<u>\$ 111,397</u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Statement of Fiduciary Net Assets March 31, 2005

Assets	Agency Funds
Cash	\$ 62,219
Total Assets	<u>62,219</u>
Liabilities	
Undistributed Taxes and Interest	61,355
Due to Other Units of Government	720
Due to Other Funds	<u>144</u>
Total Liabilities	<u>62,219</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

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## Kalkaska Township Notes to Financial Statements March 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Kalkaska Township is a general law township located in Kalkaska County. Population as of the 2000 census was 4,830, and the taxable value is \$142,418,836.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Funds – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting governments programs.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.



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## Kalkaska Township Notes to Financial Statements March 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

#### D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

#### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$2,500 to \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	25 years
Vehicles	10 years
Furniture and Fixtures	10 years
Equipment	5 years

# Tobin & Co.

## Kalkaska Township Notes to Financial Statements March 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$182,420,050	\$142,418,836	.9652

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2005.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2005, the Police Protection cost center exceeded its budget by \$825.

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

# Tobin & Co.

## Kalkaska Township Notes to Financial Statements March 31, 2005

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

#### A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### B. Types of Deposits and Investments

The Township had \$1,023,672 deposited with local financial institutions at March 31, 2005 with a carrying value of \$986,027. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$680,826 of uninsured deposits at March 31, 2005.

### NOTE 4 - RECEIVABLES

\$6,000 of receivables of governmental activities represents fire contract revenues due from another unit of government; \$21,414 represents delinquent property taxes; and \$144 represents mobile home park fees.

### NOTE 5 - CAPITAL ASSETS

	<u>03/31/04</u>	<u>Additions</u>	<u>Dispositions</u>	<u>03/04/05</u>
Governmental Activities:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Buildings and Improvements	283,790	-	-	283,790
Equipment	90,976	35,252	-	126,228
Vehicles	310,495	-	-	310,495
	693,261	35,252	-	728,513
Less Accumulated Depreciation	(265,864)	(38,186)	-	(304,050)
Governmental Activities Capital Assets, Net	\$ 427,397	\$ (2,934)	\$ -	\$ 424,463

### NOTE 6 - TRANSFERS BETWEEN FUNDS

During the audit year the General Fund transferred \$75,000 to the Improvement Revolving Fund.

### NOTE 7 - LONG-TERM DEBT

The Township has no long-term debt and no such borrowing is anticipated in the near future.

### NOTE 8 - INVENTORIES

Kalkaska Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

# Tobin & Co.

## Kalkaska Township Notes to Financial Statements March 31, 2005

### NOTE 9 - PENSION PLAN

The Township participates in a defined contribution pension plan administered by Municipal Retirement Systems, Inc. By Board resolution, the Township pays a contribution of 11.5% of annual compensation.

The plan covers all elected officials and the assessor with 100% immediate vesting upon early retirement, termination of service, death, disability, or normal retirement. Required Township contributions of \$9,009 were paid for the audit year. Covered compensation for the audit year was \$78,339 out of total employee compensation of \$148,199.

The Township provides social security coverage for its officials and employees.

### NOTE 10 - CONTINGENT LIABILITIES

Township officials are aware of no material contingent liabilities as of March 31, 2005.

### NOTE 11- COMPENSATED ABSENCES

The Township assessor is entitled by contract to fifteen paid vacation days and five paid sick days per year. All compensated absence time must be used prior to year end with no accumulation.

### NOTE 12- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### NOTE 13- RELATED PARTY TRANSACTIONS

During the audit year, the Township awarded \$8,231 of contractual capital outlay and repair and maintenance work to a business owned and operated by the son of the Township Clerk. Bid procedures appear to have been properly followed.

### NOTE 14- LEASE

The Township leases the land upon which its offices and fire department are located for \$1 per year under a 99-year lease expiring in 2082.

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule 1  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 110,000	\$ 110,000	\$ 119,572	\$ 9,572
Delinquent Taxes	1,400	1,400	15,529	14,129
Swamp Tax	22,000	22,000	22,483	483
Other Property Taxes	200	200	186	(14)
Special Assessments	1,800	1,800	9,533	7,733
Penalties and Interest on Taxes	-	-	1,181	1,181
Property Tax Administration Fees	36,000	36,000	45,467	9,467
Federal Grants:				
Homeland Security	-	-	3,090	3,090
State Grants:				
State Shared Revenues	169,000	169,000	172,166	3,166
Bankhead Jones	-	-	509	509
Metro Act	-	-	10,753	10,753
Charges for Services:				
Summer Tax Collection	15,000	15,000	15,659	659
Cemetery	3,000	3,000	19,185	16,185
Sales	-	-	207	207
Fire Protection	15,000	15,000	17,907	2,907
Land Splits	-	-	1,500	1,500
Interest and Rents:				
Interest	5,000	5,000	7,247	2,247
Rents and Royalties	3,000	3,000	4,460	1,460
Other:				
Donations	-	-	13,561	13,561
Refunds and Reimbursements	-	-	3,195	3,195
Total Revenues	<u>381,400</u>	<u>381,400</u>	<u>483,390</u>	<u>101,990</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	6,000	-
Supplies	-	-	1,452	-
Legal and Contractual	-	-	3,654	-
Maintenance and Repairs	-	-	280	-
Printing and Publishing	-	-	845	-
Other	-	-	11,959	-
Total	<u>56,500</u>	<u>56,500</u>	<u>24,190</u>	<u>32,310</u>
Total Legislative	<u>56,500</u>	<u>56,500</u>	<u>24,190</u>	<u>32,310</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	6,500	-
Total	6,500	6,500	6,500	-
Elections:				
Salaries and Wages	-	-	5,526	-
Supplies	-	-	9	-
Printing and Publishing	-	-	116	-
Total	8,000	8,000	5,651	2,349
Assessor:				
Salaries and Wages	-	-	43,992	-
Supplies	-	-	6,521	-
Tax Collection	-	-	3,940	-
Other	-	-	400	-
Total	58,000	58,000	54,853	3,147
Clerk:				
Salaries and Wages	-	-	13,500	-
Salaries and Wages - Deputy	-	-	376	-
Supplies	-	-	1,339	-
Total	17,000	17,000	15,215	1,785
Board of Review:				
Salaries and Wages	-	-	374	-
Printing and Publishing	-	-	59	-
Total	2,000	2,000	433	1,567
Treasurer:				
Salaries and Wages	-	-	19,500	-
Salaries and Wages - Deputy	-	-	1,904	-
Supplies	-	-	350	-
Tax Collection	-	-	10,495	-
Total	38,200	38,200	32,249	5,951

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule 1  
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
General Government (Continued):				
Township Hall and Grounds:				
Salaries and Wages	-	-	1,640	-
Supplies	-	-	562	-
Public Utilities	-	-	6,198	-
Maintenance and Repairs	-	-	1,473	-
Total	<u>30,000</u>	<u>30,000</u>	<u>9,873</u>	<u>20,127</u>
Cemetery:				
Salaries and Wages	-	-	21,218	-
Supplies	-	-	953	-
Public Utilities	-	-	7,451	-
Maintenance and Repairs	-	-	5,133	-
Other	-	-	770	-
Total	<u>59,000</u>	<u>59,000</u>	<u>35,525</u>	<u>23,475</u>
Total General Government	<u>218,700</u>	<u>218,700</u>	<u>160,299</u>	<u>58,401</u>
Public Safety:				
Police Protection:				
Contractual Services	-	-	18,825	-
Total	<u>18,000</u>	<u>18,000</u>	<u>18,825</u>	<u>(825)</u>
Fire Protection:				
Salaries and Wages	-	-	31,252	-
Supplies and Small Tools	-	-	7,824	-
Gas and Oil	-	-	2,334	-
Outside Services	-	-	4,919	-
Education and Training	-	-	2,471	-
Public Utilities	-	-	9,440	-
Repairs and Maintenance – Vehicles	-	-	9,052	-
Repairs and Maintenance – Building	-	-	2,697	-
Repairs and Maintenance – Radio/Other	-	-	10,280	-
Other	-	-	2,224	-
Total	<u>137,500</u>	<u>137,500</u>	<u>82,493</u>	<u>55,007</u>
Total Public Safety	<u>155,500</u>	<u>155,500</u>	<u>101,318</u>	<u>54,182</u>

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule 1  
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Public Works:				
Road Maintenance and Improvements	100,000	100,000	-	100,000
Township Cleanup	-	-	17,875	(17,875)
Street Lighting	6,000	6,000	3,612	2,388
Special Assessments	6,000	6,000	3,983	2,017
Total Public Works	<u>112,000</u>	<u>112,000</u>	<u>25,470</u>	<u>86,530</u>
Health and Welfare:				
Hospital Subsidy	<u>15,000</u>	<u>15,000</u>	<u>1,338</u>	<u>13,662</u>
Total Health and Welfare	<u>15,000</u>	<u>15,000</u>	<u>1,338</u>	<u>13,662</u>
Recreation and Culture	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Other:				
Employee Benefits and Insurance	79,000	79,000	48,795	30,205
Numbering System and 911	1,000	1,000	-	1,000
Unallocated	17,000	17,000	4,095	12,905
Industrial Growth	5,000	5,000	1,500	3,500
Contingencies	20,000	20,000	-	20,000
Total Other	<u>122,000</u>	<u>122,000</u>	<u>54,390</u>	<u>67,610</u>
Capital Outlay	<u>231,500</u>	<u>231,500</u>	<u>75,071</u>	<u>156,429</u>
Total Expenditures	<u>926,200</u>	<u>926,200</u>	<u>442,076</u>	<u>484,124</u>
Excess Revenues (Expenditures)	<u>(544,800)</u>	<u>(544,800)</u>	<u>41,314</u>	<u>586,114</u>
Other Financing Sources (Uses)				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Total	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	(1) <u>\$ (619,800)</u>	<u>\$ (619,800)</u>	<u>(33,686)</u>	<u>\$ 586,114</u>
Fund Balance – Beginning of Year			<u>555,109</u>	
Fund Balance – End of Year			<u>\$ 521,423</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Improvement Revolving Fund  
For the Year Ended March 31, 2005

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Earned Interest	\$ 3,500	\$ 3,500	\$ 3,426	\$ (74)
Total	<u>3,500</u>	<u>3,500</u>	<u>3,426</u>	<u>(74)</u>
<u>Expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures)	<u>3,500</u>	<u>3,500</u>	<u>3,426</u>	<u>(74)</u>
Other Financing Sources (Uses)				
Operating Transfers In	75,000	75,000	75,000	-
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Excess Revenues (Expenditures) and Other Financing Sources (Uses)	<u>\$ 78,500</u>	<u>\$ 78,500</u>	78,426	<u>\$ (74)</u>
Fund Balance – Beginning of Year			<u>302,393</u>	
Fund Balance – End of Year			<u>\$ 380,819</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Changes in Assets and Liabilities  
All Agency Funds  
For the Year Ended March 31, 2005

Schedule 3

		Trust and Agency Fund		
		Balance 3/31/04	Additions	Deductions
				Balance 3/31/05
<u>Assets</u>				
Cash		\$ 1,734	\$ 48,264	\$ 49,134
				\$ 864
Total Assets		\$ 1,734	\$ 48,264	\$ 49,134
				\$ 864
<u>Liabilities</u>				
Undistributed Taxes and Interest		\$ -	\$ -	\$ -
Due to Other Units of Government		1,445	48,083	48,808
Due to Other Funds		289	181	326
				144
Total Liabilities		\$ 1,734	\$ 48,264	\$ 49,134
				\$ 864
		Current Tax Collection Fund		
		Balance 3/31/04	Additions	Deductions
				Balance 3/31/05
<u>Assets</u>				
Cash		\$ 5,219	\$ 4,310,689	\$ 4,254,553
				\$ 61,355
Total Assets		\$ 5,219	\$ 4,310,689	\$ 4,254,553
				\$ 61,355
<u>Liabilities</u>				
Undistributed Taxes and Interest		\$ 5,219	\$ 4,310,689	\$ 4,254,553
Due to Other Units of Government		-	-	-
Due to Other Funds		-	-	-
				-
Total Liabilities		\$ 5,219	\$ 4,310,689	\$ 4,254,553
				\$ 61,355
		Total		
		Balance 3/31/04	Additions	Deductions
				Balance 3/31/05
<u>Assets</u>				
Cash		\$ 6,953	\$ 4,358,953	\$ 4,303,687
				\$ 62,219
Total Assets		\$ 6,953	\$ 4,358,953	\$ 4,303,687
				\$ 62,219
<u>Liabilities</u>				
Undistributed Taxes and Interest		\$ 5,219	\$ 4,310,689	\$ 4,254,553
Due to Other Units of Government		1,445	48,083	48,808
Due to Other Funds		289	181	326
				144
Total Liabilities		\$ 6,953	\$ 4,358,953	\$ 4,303,687
				\$ 62,219

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Kalkaska Township 2004 Property Tax Levy and Collections For the Year Ended March 31, 2005

Schedule 4

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	5.4828	\$ 764,533	\$ 679,171	\$ 85,362
Hospital	1.7000	237,043	210,538	26,505
Public Transit	0.2447	34,105	30,297	3,808
Commission on Aging	0.2500	34,846	30,955	3,891
Library	0.2500	34,846	30,955	3,891
Animal Control/Recycling	0.2500	34,846	30,955	3,891
Sportsplex	0.7313	101,958	90,527	11,431
State Education	6.0000	852,144	784,502	67,642
School District	20.1000	1,792,199	1,655,213	136,986
Intermediate School District	2.9732	426,859	393,553	33,306
Township - General	0.9652	134,575	119,572	15,003
State - IFT		46,473	46,473	-
Village		45,336	42,614	2,722
Special Assessments		<u>11,382</u>	<u>8,939</u>	<u>2,443</u>
Total		<u>\$ 4,551,145</u>	<u>\$ 4,154,264</u>	<u>\$ 396,881</u>
Percent of Levy Collected	91.28%			

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Kalkaska Township  
Statement of Revenues, Expenditures and Balance  
Property Tax Administration Fees  
For the Year Ended March 31, 2005

Schedule 5

## Revenues

Property Tax Administration Fees \$ 45,467

Total Revenues 45,467

## Expenditures

Assessor 54,853

Board of Review 433

Treasurer – 60% of Salary 8,100

Tax Roll Expenses 10,495

Use of Building 500

Insurance and Fringe Benefits 1,000

Total 75,381

Excess Revenues (Expenditures) (29,914)

Excess Revenues (Expenditures) – Prior Years (1) (195,085)

Accumulated Excess Revenues (Expenditures) \$ (224,999)

(1) Prior	\$	22,324
1995-96		4,548
1996-97		1,376
1997-98		16,371
1998-99		21,406
1999-00		22,120
2000-01		27,733
2001-02		23,863
2002-03		24,821
2003-04		<u>30,523</u>
	\$	<u>195,085</u>

The Notes to the Financial Statements are an integral part of this statement.